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BRUSSELS ALSO FOR POLAD

E.O. 11652: GDS

TAGS: PFOR, CG

SUBJECT: ZAIRE 1974--IMPLICATIONS FOR THE US IN 1975

PART I

SUMMARY: THIS SEVEN-PART COUNTRY TEAM MESSAGE, IN PREPARATION OF WHICH CONSULS MARKS (LUBUMBASHI) AND LOVING (BUKAVU) ALSO PARTICIPATED SUMMARIZES MAJOR ZAIRIAN DEVELOPMENTS IN 1974, ASSESSES THEIR IMPACT ON US INTERESTS, AND IDENTIFIES MAJOR QUESTIONS ABOUT ZAIRE WITH POLICY IMPLICATIONS FOR
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THE US FOR FURTHER ANALYSIS IN 1975.

INTERNATIONAL:

US INTERESTS WERE IMPACTED BY MORE NEGATIVE THAN POSITIVE ZAIRIAN DEVELOPMENTS IN 1974, BUT OVERALL WE RETAIN PRIVILEGED POSITION HERE AND BASICALLY FRIENDLY RELATIONS. 1974 SAW MOBUTU CONTINUE AND DEVELOP THE MAIN THEMES--DECOLONIZATION, AFRICAN LIBERATION AND AN ECONOMIC "ALLIANCE OF THE OPPRESSED"--OF HIS STILL MUCH-QUOTED OCTOBER 1973 UNGA SPEECH. THE APRIL COUP IN LISBON LED HIM TO INTENSIFY HIS EFFORTS TO BRING ABOUT A FRIENDLY, NON-COMMUNIST REGIME IN ANGOLA WHILE KEEPING HIS OPTIONS OPEN ON CABINDA. HE WOODED THE ARABS, THE CHINESE, AND NORTH KOREANS WITH TANGIBLE RESULTS WHILE PERHAPS CONCLUDING THAT CONTINUED CLOSE RELATIONS WITH THE US WERE YIELDING LESS THAN LOOKED-FOR BENEFITS. A LAST-MINUTE SOVIET DECISION TO POSTPONE A STATE VISIT TO MOSCOW AND THE UNWILLINGNESS OF PARK OF THE ROK TO RECEIVE MOBUTU ON SHORT NOTICE CAUSED ZAIRE'S RELATIONS WITH BOTH THOSE COUNTRIES TO DETERIORATE. THE INTERRUPTED DIALOGUE WITH BELGIUM WAS RENEWED.

DOMESTIC:

BOBUTO, AT THE END OF 1974, DESPITE GROWING ECONOMIC AND SOCIAL STRAINS, SEEMED TO BE EVEN MORE FIRMLY IN CONTROL OF THE COUNTRY THAN AT THE BEGINNING OF THE YEAR. THE CONSTITUTION WAS REVISED, THEREBY FURTHER ADAPTING ZAIRE'S INSTITUTIONS TO MOBUTU'S AUTOCRATIC STYLE OF GOVERNMENT AND MAKING IT POSSIBLE FOR HIM TO CONTINUE AS PRESIDENT INDEFINITELY. A SHADOWY DOCTRINE CALLED "MOBUTISM" WAS ENSHRINED AS ZAIRE'S POLITICAL PHILOSOPHY AND THE PERSONALITY CULT WAS CARRIED ALMOST TO THE POINT OF DEIFICATION.

3. MILITARY COMMAND REORGANIZATION WAS CARRIED OUT AND A DECISION TAKEN TO LAUNCHE A LARGE MODERNIZATION PROGRAM.

4. ECONOMICALLY 1974 WAS NOT A GOOD YEAR, REAL GROWTH WAS SMALL AND INFLATION RAPID. COPPER PRICES TUMBLED REDUCING FOREIGN EXCHANGE AND BUDGET EARNINGS AT A TIME OF SHARPLY INCREASED PAYMENTS ON GROWING FOREIGN
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INDEBTEDNESS. IN SPITE OF THIS SITUATION AND TIGHT INTERNATIONAL MONEY MARKETS, MAJOR US MINERAL INVESTMENTS (REYNOLDS ALUMINIUM, GULF OFFSHORE OIL PRODUCTION, STANDARD OIL OF INDIANA COPPER MINING AND REFINING, AND ESSO EASTERN URANIUM) CONTINUED TO MOVE FORWARD. SOME INSTITUTIONAL PROGRESS WAS MADE TOWARD BETTER ECONOMIC DECISION-MAKING. EXPLANATORY NOTE: SINCE WE OPERATE ON BASIS TENTATIVE ANSWERS TO QUESTIONS POSED BELOW, SOME COUNTRY TEAM

MEMBERS HAVE ARGUED THEY NOT NEEDED IN THIS MESSAGE. NEVERTHELESS, WE HAVE CHOSEN TO IDENTIFY WHAT WE CONSIDER TO BE THE "RIGHT QUESTIONS," BOTH TO ENCOURAGE WASHINGTON COMMENT AND TO INDICATE FOR OUR OWN WORK PROGRAMS WHERE IT IS DESIRABLE TO TRY REDUCE UNUSUALLY HIGH DEGREE OF EXISTING ANALYTICAL UNCERTAINTY.

PART II

1. ANGOLA REMAINED MOBUTU'S MAIN FOREIGN POLICY CONCERN AND THE FALL OF THE CAETANO REGIME IN LISBON CAUSED HIM TO STEP UP HIS EFFORTS TO ENSURE THAT A GOVERNMENT FRIENDLY TO ZAIRE COMES TO POWER IN LUANDA. HE MOVED WITH CHARACTERISTIC VIGOR TO INITIATE DIRECT HIGH-LEVEL CONTACTS WITH PORTUGAL AND HAS ESTABLISHED AIR LINKS BETWEEN KINSHASA AND LUANDA AS WELL AS CONSULAR REPRESENTATION. HOLDEN ROBERTO'S FNLA RECEIVED THE LIONS SHARE OF MOBUTU'S SUPPORT FOR LIBERATION MOVEMENTS INCLUDING THE USE OF ZAIRE AS A BASE WHERE THE CHINESE TRAINED AND EQUIPPED SEVERAL THOUSAND FNLA TROOPS. AT MEETINGS WITH OTHER AFRICAN LEADERS (KAUNDA NYERERE, NGOUABI) AND BEHIND THE SCENES MOBUTU WAGED A CONCERTED CAMPAIGN TO DEPOSE AGOSTINHO NETO AS HEAD OF THE MPLA. AT ONE TIME IT LOOKED AS THOUGH HE WOULD SUCCEED IN CREATING AN NTI-NETO ALLIANCE CONSISTING OF THE FNAL, UNITA (JONAS SAVIBI), AND THE CHIPENDA FACTION OF THE MPLA. HOWEVER, AT THE YEAR'S END, MOBUTU HAD NOT SUCCEEDED IN HIS TWIN TACTICAL OBJECTIVES OF HAVING THE FNLA'S HOLDEN ROBERTO ACCEPTED AS THE PRIMUS INTER PARES OF THE VARIOUS LIBERATION LEADERS OR IN TOPPLING AGOSTINHO NETO AS THE PRESIDENT OF THE MPLA. AMONG OTHERS, PORTUGAL, THE USSR, AND ALGERIA CONTINUED TO SUPPORT NETO AS THE LEGITIMATE PRESIDENT OF THE MPLA. PROGRESS TOWARD A PROVISIONAL GOVERNMENT IN

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ANGOLA CONTINUES TO BE COMPLICATED BY MOBUTUS STRONG OPPOSITION TO NETO AND BY THE FEELING ON THE PART OF KAUNDA AND NYERERE AMONG OTHERS THAT HOLDEN ROBERTO IS TOO MUCH UNDER THE INFLUENCE OF MOBUTU. ON CABINDA, MOBUTU HAS KEPT HIS OPTIONS OPEN AND HAS PROVIDED BOTH HOSPITALITY AND PUBLIC PLATFORM FOR RANQUE FRANQUE OF FLEC.

2. THROUGHOUT MOST OF THE YEAR US-ZAIRIAN RELATIONS WERE CLOSE AND FRIENDLY WITH MOBUTU SEEKING SUPPORT FOR HOLDEN ROBERTO AND MODERN MILITARY EQUIPMENT FOR ZAIRE'S ARMED FORCES ON CONCESSIONARY TERMS. HE CONTINUED TO WELCOME PROSPECTIVE MAJOR NEW US INVESTMENTS IN COPPER, URANIUM, PETROLEUM, AND ALUMINUM. IN NOVEMBER, A CLOUD DEVELOPED OVER OUR BILATERAL RELATIONS WHEN MOBUTU,

AFTER PROMISING US THAT HE WOULD HELP ON THE KHMER VOTE IN THE UN, RENEGED AND SUPPORTED SIHANOUK DOWN THE LINE. WE BELIEVE THIS REVERSAL WAS TRIGGERED BY THE SUDDENLY PERCEIVED NEED TO VISIT NORTH KOREA AND PEKING (WHERE MOBUTU WOULD SEE SIHANOUK AGAIN) AFTER UNEXPECTED SOVIET POSTPONEMENT OF MOSCOW TRIP RATHER THAN ANY FUNDAMENTAL CHANGE IN MOBUTU'S ATTITUDE TOWARDS US.

3. IN THE UN, THE OAU, AND IN OTHER CONCLAVES, MOBUTU FURBISHED AND REFURBISHED HIS THIRD WORLD CREDENTIALS BY ADVOCATING AN ALLIANCE OF THE RAW MATERIALS PRODUCERS VIS-A-VIS THE DEVELOPED COUNTRIES, AND GENERALLY SUPPORTING NON-ALIGNED POSITIONS. IN CIPEC HE WENT ALONG WITH A 10 PERCENT CUT IN COPPER EXPORTS. HIS LONG COURTSHIP OF THE ARABS APPEARED FINALLY TO BE PAYING DIVIDENDS WITH A \$100 MILLION LIBYAN PARTICIPATION IN AN IBRD LOAN TO EXPAND COPPER PRODUCTION AND A REPORTED ADDITIONAL \$50 MILLION CREDIT FROM THE UNITED ARAB EMIRATES. RELATIONS WITH BELGIUM WARMED AND TALKS BETWEEN THE TWO GOVERNMENTS CONCERNING COMPENSATION FOR NATIONALIZED ASSETS AND TECHNICAL ASSISTANCE WERE RENEWED.

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3. QUESTIONS FOR 1975:

A. WILL MOBUTU'S ACTIVE SUPPORT OF HOLDEN ROBERTO (FNLA), DANIEL CHIPENDA (ONE MPLA FACTION) PLUS HIS INTENSE DIPLOMATIC EFFORTS WITH PORTUGAL, AND ANGOLAN JUNTA, SAVIMBI OF UNITA, AND NEIGHBORING AFRICAN STATES RESULT IN AN INDEPENDENT ANGOLA FRIENDLY TO ZAIRE? IF NOT, HOW WILL ZAIRE REACT? MIGHT MOBUTU UNDERTAKE A FOREIGN ADVENTURE? IN ANGOLA? IN CABINDA? IN WHAT CIRCUMSTANCES? DOES HE HAVE OR WILL HE ACQUIRE A SIGNIFICANT CAPABILITY FOR SUCCESSFUL ARMED INTERVENTION BEYOND CURRENT PROXY SUPPORT FOR THE FNLA?

B. DO MOBUTU'S MOVES AWAY FROM UN ON INTERNATIONAL ISSUES--
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OF WHICH THE KHMER VOTE WAS THE MOST UNPALATABLE--MEAN THAT HE HAS DECIDED THAT ZAIRE'S AND AMERICA'S INTERESTS ARE NO LONGER AS CLOSELY PARALLEL AS HE ONCE PERCEIVED THEM TO BE? OR WILL HE BE ABLE TO KEEP A CLEAR SEPARATION BETWEEN HIS FLAMBOYANT RHETORIC AND THIRD WORLD POSTURING AND HIS HITHERTO GENERALLY SENSIBLE AND PRAGMATIC ACTIONS, AS THEY AFFECT US INTERESTS, ESPECIALLY ECONOMIC?

C. WILL MOBUTU'S MOVE CLOSER TO SUCH STATES AS THE PRC AND NORTH KOREA, WHO ARE APPARENTLY WILLING TO HELP MEET WHAT HE CONSIDERS TO BE HIS PRESSING MILITARY REQUIREMENTS, GREATLY ENHANCE THEIR INFLUENCE OR WILL MOBUTU MORE SUCCESSFULLY EXPLICIT THEM THAN THEY HIM? WHAT WILL BE THE POLITICAL, ECONOMIC AND MILITARY EFFECTS ON ZAIRE AND ON US INTERESTS OF LARGE NUMBERS OF CHINESE AND NORTH KOREAN ADVISORS WORKING DIRECTLY WITH ZAIRIAN MILITARY AND CIVILIAN AUTHORITIES?

D. WHY HAVE ZAIRIAN-SOVIET RELATIONS TAKEN A DOWNTURN? BECAUSE OF SOVIET MALADROITNESS OR FOR SUBSTANTIVE REASONS, E.G. SOVIET SUPPORT FOR NETO? HAS MOBUTU DEFINITELY TAKEN A CHINESE OPTION OR WILL THE SOVIETS RECOUP IN 1975?

PART III
DOMESTIC

1. 1974 SAW AN INTENSIFICATION OF THE PERSONALITY CULT

AND "MOBUTISM" BEGAN TO SUPPLEMENT "AUTHENTICITY" AS POLITICAL GOSPEL. THERE WAS A TREND TOWARD DEIFICATION AND MOBUTU WAS REFERRED TO AS "SAVIOR" AND "MESSIAH" BY SOME OF HIS CLOSE ASSOCIATES. THE REGIME DECREED THAT ONLY MOBUTU'S PICTURE COULD BE DISPLAYED IN PUBLIC ROOMS AND RELIGIOUS INSTRUCTION WAS BANNED IN SCHOOLS. CHURCH LEADERS AND OUR MISSIONARIES ARE INCREASINGLY UNEASY ABOUT THE POSSIBILITY OF STATE-CHURCH CONFLICTS.

2. ADOPTION OF THE REVISED CONSTITUTION BROUGHT SEVERAL CHANGES: MOBUTU, IN EFFECT, BECAME PRESIDENT FOR LIFE; THE POLITICAL BUREAU OF THE MOUVEMENT POPULAIRE DE LA REVOLUTION, ZAIRES ONLY POLITICAL PARTY, BECAME THE SUPREME POLICY-MAKING BODY; MEMBERSHIP OF THE
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POLITICAL BUREAU WAS EXPANDED TO INCLUDE KEY MILITARY AND UNIVERSITY LEADERS THEREBY ASSOCIATING ADDED ELEMENTS OF SOCIETY WITH THE DECISION-MAKING PROCESS; COMMINGLING OF THE PARTY AND GOVERNMENT WAS INTENSIFIED; CLEARER SUCCESSION PROCEDURES WERE SPELLED OUT THEREBY HELPING TO ENSURE AN ORDERLY TRANSITION SHOULD MOBUTU MEET WITH AN ACCIDENT.

3. BUILDING ON A ROMANIAN MODEN, MOBUTU SET UP A PARTY SCHOOL CHARGED WITH INDOCTRINATION. ITS FIRST SESSION WAS ATTENDED BY 130 OF THE NATION'S ELITE WHO, FOR FIFTY DAYS, DEBATED THE NATION'S PROBLEMS BEHIND CLOSED DOORS, OFTEN IN MOBUTU'S PRESENCE. WE HAVE EVIDENCE THAT SOME OF THE CRITICISM OF THE CURRENT STATE OF AFFAIRS IN ZAIRE WAS FORTHRIGHT. THE SCHOOL PROPOSED NUMEROUS REFORMS, SOME OF WHICH HAVE ALREADY BEEN IMPLEMENTED.

4. OVERALL INTERNAL STABILITY WAS MAINTAINED IN 1974 ALTHOUGH THERE WAS A GENERAL INCREASE OF SOCIAL DISCONTENT AND A LOCAL INCREASE IN THE ENDEMIC LEVEL OF BANDIT/REBEL ACTIVITY IN SOUTH KIVU IN EASTERN ZAIRE.

5. WHILE THERE IS HARDLY A HINT OF ORGANIZED OPPOSITION ARE REPORTS OF GROWING CYNICISMS TOWARD "MOBUTISM," AND OF WIDENING CRITICISM OF CORRUPTION AND HIGH LIVING AMONG THE ELITE. UNQUESTIONABLY, MOST ZAIROIS FACE SERIOUS ECONOMIC HARDSHIP AS REAL PER CAPITA INCOME DECLINES.

6. QUESTIONS FOR 1975

A. WILL MOBUTU TRY TO GO TOO FAR TOO FAST OR WILL HE EASE OFF ON PROGRAMS HE DOUBTLESS VIEWS AS DESIRABLE "NATION BUILDING?" IS HE RIGHT IN HIS PRESUMED JUDGEMENT THAT THE SITUATION IS MANAGEABLE, OR COULD THE "GROWING

CYNICISM," "SOCIAL DISCONTENT" AND "ECONOMIC HARDSHIP"
BE PRECIPITATED INTO ORGANIZED OPPOSITION TO MOBUTU IN
1975? IN WHAT CIRCUMSTANCES MIGHT THE ARMY INTERVENE?

B. IF MOBUTU DIED, EG. IN A HELICOPTER ACCIDENT, WE
BELIEVE MOBUTISM WOULD DIE WITH HIM, BUT WHO WOULD CONTROL
ZAIRE AND WHAT POLICY CHANGES COULD WE ANTICIPATE?
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PART IV
MILITARY

1. DURING THE YEAR, MOBUTU DECIDED TO REORGANIZE AND
MODERNIZE ZAIRE'S ARMED FORCES. FIVE SENIOR MILITARY
OFFICERS WERE APPOINTED TO THE POLITICAL BUREAU THEREBY
BRINGING THEM INTO THE OVERALL DECISION-MAKING PROCESS
AND PERHAPS INCREASING CHANCES OF A SMOOTHER SUCCESSION
SHOULD ANYTHING UNTOWARD HAPPEN TO MOBUTU. THE REORGANIZED
BASIC MILITARY STRUCTURE CONFORMS SUPERFICIALLY WITH THAT
OF MAJOR MILITARY POWERS;THE FOUR MILITARY SERVICES WERE
MADE INDEPENDENT OF EACH OTHER AND ALL BECAME SUBORDINATE
TO CAPTIAN-GENERAL (CF CHAIRMAN, JOINT CHIEFS) BUMBA IN
THEORY BUT REMAINED DIRECTLY RESPONSIBLE TO MOBUTU IN
PRACTICE.

2. BUT THE MOST SIGNIFICANT DEVELOPMENT IN THE MILITARY
FIELD DURING 1974 WAS MOBUTU'S DECISION THAT ZAIRE WOULD
IN FACT, BECOME THE PRE-EMINENT MILITARY POWER IN CENTRAL
AFRICA DEVELOPING A MODERN MILITARY CAPACITY COMMENSURATE
WITH THE COUNTRY'S SIZE AND IMPORTANCE. IN PURSUIT OF
THIS GOAL, MOBUTU APPROACHED THE US, THE PRC, NORTH KOREA,
BELGIUM,FRANCE, AND THE USSR.

3. WESTERN POWERS WERE RELUCTANT TO INCREASE THEIR COMMIT-
MENTS AND ITALY MOVED CLOSER TO WITHDRAWING ITS PILOT-
TRAINING MILITARY MISSION. WHILE STRESSING THAT WE COULD
NOT COMMIT OURSELVES TO HIGHER FMS LEVELS (CURRENTLY A
MODEST \$3.5 MILLION), WE AGREED TO SEND A SMALL MILITARY
ADVISORY TECHNICAL TEAM EARLY IN 1975 TO HELP THE ZAIRIANS
IDENTIFY OPTIMUM TYPES OF EQUIPMENT TO MEET PERCEIVED
ZAIRIAN NEEDS AND TO INDICATE WHICH ITEMS WOULD BE AVAILABLE
FROM THE US FOR PURCHASE. YET FINANCIAL STRINGENCY CAUSED
ZAIRE LATE IN 1974 TO POSTPONE OR CANCEL LARGE ORDERS FOR
US C-130 AIRCRAFTAND MEDIUM-LIFT HELICOPTERS. TO EXTENT
FINANCIAL PINCH PERMITS, WE ASSUME THAT GOZ IN 1975
WILL CONTINUE TO LOOK TO US SOURCES FOR CERTAIN AIRCRAFT
AND ELECTRONICS EQUIPMENT. NEVERTHELESS, LIMITATIONS
ON OUR MILITARY ASSISTANCE EFFORT, CURRENT ZAIRIAN
FINANCIAL DIFFICULTIES, AND APPARENT WILLINGNESS OF
CHINESE AND NORTH KOREANS TO MAKE LARGE AMOUNTS OF

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MATERIAL AVAILABLE ON CONCESSIONARY TERMS INDICATE THAT PEKING AND PYONGYANG WILL FIELD SUBSTANTIAL MILITARY MISSIONS IN ZAIRE IN 1975.

4. QUESTIONS FOR 1975

A. TO WHAT END DOES MOBUTU STRIVE FOR A PRE-EMINENT MILITARY POSITION IN CENTRAL AFRICA? AND RELATED TO THIS FUNDAMENTAL QUESTION OF INTENTIONS--TO WHAT DEGREE WILL HIS MOVE TO DIVERSIFY ZAIRE'S EXISTING COOPERATION WITH US, BELGIAN, FRENCH AND ITALIAN MILITARY MISSIONS TO INCLUDE THE PRC AND NORTH KOREA:

--ENCOURAGE A "MILITARY ADVENTURE?"

--AFFECT THE COMBAT AND LOGISTICAL CAPABILITIES OF ZAIRE'S ARMED FORCES?

B. ABSTRACTING FROM US POLICY, WILL ZAIRE CONTINUE TO LOOK TO THE US FOR CERTAIN MILITARY ADVICE, TRAINING, AND EQUIPMENT?

PART V

ECONOMIC/DEVELOPMENT

1. THE MOST IMPORTANT ECONOMIC FACT FOR ZAIRE IN 1974 WAS DROP IN COPPER PRICES FROM HIGH AVERAGE IN MID-YEAR OF \$1.37 A POUND TO AROUND 57 CENTS BY YEAR'S END. WHAT HAD BEEN GROWING SURPLUS OF FOREIGN EXCHANGE RECEIPTS OVER EXPENDITURES TURNED INTO DEFICIT BY END OF SEPTEMBER AND GOT WORSE AS 1974 DREW TO CLOSE. NET FOREIGN ASSETS FELL

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FROM HIGH IN JUNE OF \$286 MILLION TO \$117.6 MILLION
IN OCTOBER. ALSO, IN LAST QUARTER, BUDGET DEFICIT WAS
RUNNING AT ABOUT \$30 MILLION A MONTH. INFLATION HIT
ANNUAL RATE OF OVER 40 PERCENT AND AS GOVERNMENT HELD FIRM LID
ON WAGES--REAL EARNINGS OF AVERAGE CITIZEN DECLINED
LEAVING HIM IN EVEN MORE DIFFICULT CIRCUMSTANCES. THE
ZAIRE BECAME EVEN MORE OVER-VALUED. TO THIS SITUATION
WAS ADDED INEVITABLE DISRUPTIONS CAUSED BY ZAIRIANIZATION
(I. E. INDIGENIZATION) OF COMMERCE AND AGRICULTURE ADOPTED
LATE IN 1973 WHOSE EFFECTS WERE PARTICULARLY SEVERE IN
RURAL AREAS.

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2. WORLD OIL PRICE INCREASES ADDED TO STRAIN ON ZAIRE'S
BALANCE OF PAYMENTS AND ZAIRIANIZATION OF PETROLEUM
DISTRIBUTION SYSTEM, INCLUDING TAKEOVER OF TEXACO AND
MOBIL FACILITIES CAUSED SOME SUPPLY DISLOCATION, BUT BY
YEAR END PETROLEUM SUPPLIES WERE FLOWING NORMALLY
EXCEPT FOR FEW LOCAL SHORTAGES IN THE EAST. MOBIL, AT
LEAST, WAS STILL IN BUSINESS UNDER QUISE OF TECHNICAL
ASSISTANCE CONTRACT WITH PETROZIARE. COMPENSATION
NEGOTIATIONS ARE ANTICIPATED FOR 1975.

3. DESPITE MOBUTU'S STATEMENT THAT AGRICULTURE HAS THE
PRIORITY OF PRIORITIES AND DESPITE WHAT EXPERTS JUDGE TO
BE SUBSTANTIAL OPPORTUNITIES FOR EXPANDED AGRICULTURAL

PRODUCTION, PERFORMANCE OF ZAIRE'S AGRICULTURAL SECTOR WAS DISAPPOINTING. NET FOOD IMPORTS CONTINUE TO RISE AND PRODUCTION OF EXPORT CROPS, E.G. PALM OIL, COFFEE, COTTON, IS GENERALLY FALLING.

4. ALL IN ALL, THE ECONOMY WAS IN A SHAKY STATE AT END OF 1974; YET WE BELIEVE THAT SOME REAL GROWTH TOOK PLACE DURING YEAR. HOWEVER, WITH COPPER PRODUCTION STABILIZED AT 1973 LEVELS AND WITH DISLOCATION BROUGHT ABOUT BY ZAIRIANIZATION WE DOUBT THAT REAL GROWTH WAS AS HIGH AS GOZ'S TARGET OF 6 PERCENT. WHILE ACCURATE DATA ARE LACKING, THERE WAS INCREASED CONCERN OVER ZAIRE'S DEBT BURDEN. FINDING FINANCING FOR MAJOR DEVELOPMENT PROJECTS IN MINERAL FIELD BECAME SOMEWHAT MORE DIFFICULT.

5. CONCERNING DEVELOPMENT, GOZ IN 1974 CONCENTRATED ON ADDITIONAL MAJOR CAPITAL-INTENSIVE PROJECTS IN EXTRACTIVE FIELD (COPPER, ALUMINUM, PETROLEUM, URANIUM) WHICH PROMISE EVENTUAL BALANCE OF PAYMENTS RELIEF, WHILE SPENDING SIZEABLE SUMS OF PRESTIGE PROJECTS SUCH AS ALI-FOREMAN FIGHT AND UPGRADING COUNTRY'S ALREADY CONSIDERABLE MEDIA/PROPAGANDA INFRASTRUCTURE. RELATIVELY LITTLE WAS DONE TO AMELIORATE LOT OF SUBSISTENCE FARMERS WHO COMPRISE BULK OF POPULATION; RURAL-URBAN MIGRATION CONTINUED UNABATED; UNEMPLOYMENT WAS HIGH AND MALNUTRITION WAS WIDESPREAD. BY GOING TO CONTRACTING SYSTEM, SOME LIMITED IMPROVEMENT WAS MADE IN ROAD SYSTEM BUT TRANSPORTATION BOTTLENECKS REMAIN A MAJOR DEVELOPMENT CONSTRAINT. DURING YEAR, SOME PROGRESS WAS
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ALSO MADE TOWARD OVERCOMING GOZ'S SERIOUS INSTITUTIONAL DEFICIENCIES WHICH INHIBIT WELLPLANNED AND WELL-EXECUTED DEVELOPMENT AND INVESTMENT POLICIES. THE NEW APPROACH INCLUDES AN IBRD PLANNING GROUP, A REVITALIZED INVESTMENT COMMISSION AND A BUREAU D'ETUDES, ALL COORDINATED IN THE PRESIDENCY. NATIONAL HEALTH COUNCIL WAS ALSO CREATED. TAKING THESE LATTER PROMISING DEVELOPMENTS INTO ACCOUNT, USAID IS STRUCTURING PROPOSALS IN FOLLOWING AREAS: AGRICULTURE AND FOOD PRODUCTION; HEALTH AND NUTRITION; FAMILY PLANNING AND WATERWAYS TRANSPORTATION; WHILE ALSO CONSIDERING FURTHER GUARANTEES FOR LOW-COST HOUSING.

6 QUESTION FOR 1975

A. HOW WILL INVESTMENT CLIMATE IN ZAIRE EVOLVE, TAKING INTO ACCOUNT APPARENTLY DETERIORATING ECONOMIC SITUATION AND DEVELOPMENTS ON DOMESTIC AND FOREIGN POLITICAL-MILITARY FRONTS?

B. DO THE PRECONDITIONS EXIST, OR CAN THEY BE CREATED, FOR AN EFFECTIVE AID PROGRAM?

C. WILL GOVERNMENT, WORKING WITH OR WITHOUT IMF AND IBRD CONSULTATIVE GROUP OF WESTERN AID DONORS CHANGE ITS ECONOMIC POLICIES AND ADJUST PRIORITIES OR WILL OVERALL ECONOMIC SITUATION, AND PARTICULARLY LOT OF AVERAGE CITIZEN, CONTINUE TO WORSEN?

PART VI

US INTERESTS

1. IMPACT ON US INTEREST OF ZAIRIAN DEVELOPMENTS IN 1974 WAS MIXED BUT WE NOTE MORE NEGATIVE THAN POSITIVE FACTORS. NEVERTHELESS, OVERALL WE RETAIN PRIVILEGED POSITION HERE, PARTICULARLY IN ECONOMIC AREA.

2. OUR POLITICAL INFLUENCE RELATIVE TO PRC AND THIRD WORLD FORCES SLIPPED FURTHER. WHILE ACCESS TO MOBUTU AND TOP LEADERS IS NO LONGER EASY, IT REMAINS FAR EASIER FOR US THAN OTHER EMBASSIES, EXCEPT PERHAPS TO PRC.

3. ONE LONG-TIME POLICY DILEMMA FOR US WAS EASED, SINCE OSTENSIBLY US, ZAIRE, AND PORTUGAL NOW SHARE OBJECTIVE CONFIDENTIAL

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OF INDEPENDENT ANGOLA. ON OTHER HAND, PRC, USSR, PORTUGAL, SOUTH AFRICA, ZAMBIA AND ZAIRE TO SAY NOTHING OF WHITES AND VARIOUS AFRICAN FACTIONS IN ANGOLA, MAY HAVE INCOMPATIBLE IDEAS RE NATURE AND ORIENTATION OF FUTURE ANGOLAN STATE. PRIME US INTEREST IS PEACEFUL TRANSITION TO ANGOLA AT LEAST NOT HOSTILE TO US, BUT RISK OF CIVIL WAR AND OF STEPPED-UP OUTSIDE INTERVENTION IS REAL.

4. US ECONOMIC INTERESTS WERE LARGELY EXCLUDED FROM ZAIRIANIZATION TAKE-OVER PROCESS AND ZAIRE ENCOURAGED PROSPECTIVE MAJOR NEW US INVESTMENTS IN COPPER, URANIM, ALUMINUM, AND PETROLEUM. US EXPORTS TO ZAIRE WERE UP SUBSTANTIALLY AND MORRISON-KNUDSEN, WITH EXIM BANK FINANCING, BEGAN CONSTRUCTION FROM INGA TO SHABA OF WORLD'S LARGEST HIGH ENERGY DIRECT CURRENT TRANSMISSION LINE. NEVERTHELESS, TOW EXPROPRIATION COMPENSATION CLAIMS REMAIN UNRESOLVED AND DETERIORATION OF ZAIRE'S BALANCE OF PAYMENTS HEIGHTENED CONCERNS RE DEPT-SERVICING CAPACITY.

5. US POINT OF VIEW ON WORLD ISSUES CONTINUED RECEIVE WIDE DISSEMINATION IN MEDIA--ALL CLOSELY CONTROLLED BY GOZ--BUT STRENGTHENED NATIONAL NEWS AGENCY SEEMED, FROM OUR PERSPECTIVE, TO BE MOVING IN WRONG DIRECTION.

6 MOBUTU CONTINUED PROFESS FRIENDSHIP, ENGAGED IN DISCREET DIALOGUE, AND, IN MOST BUT NOT ALL CASES, ACTED WITH PRAGMATIC REGARD FOR OUR EXPRESSED INTERESTS, AS DID KEY

OFFICIALS AROUND HIM. HIS ATTITUDES AND INTENTIONS BOTH DOMESTICALLY AND INTERNATIONALLY REMAIN CRUCIAL. AS WE SEEK ANSWERS TO QUESTIONS RE ZAIRE IN 1975, NOTHING APPROACHES IN IMPORTANCE CLEARER UNDERSTANDING OF HIS EVOLVING PERSONALITY, POLICIES AND INTENTIONS.

7. QUESTIONS FOR 1975:

A. TAKING INTO ACCOUNT CONTINUING ANALYSIS OF OUR OTHER QUESTIONS--AND OF WASHINGTON'S IF THIS REPORT PROVOKES COMMENT--WHAT FURTHER CHANGES, IF ANY, IN US POLICY MIX SET FORTH IN 1974 PARA ARE BEST CALCULATED TO ADVANCE US INTERESTS?

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PART VII
HAPPY NEW YEAR.
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